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November 14, 2007

## **AGENDA ITEM 7**

### **TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE**

- I. SUBJECT:** Request for Proposal - - Board Health Consultant Interviews and Selection
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Staff recommends the Health Benefits Committee:  
(1) Interview Finalists as ranked by the Health Benefits Evaluation Team, (2) Rank and score each Finalist, and (3) Recommend to the CalPERS Board of Administration (Board) the selection of a Board Health Consultant firm(s), and (4) Recommend that the Board direct staff to begin negotiations with the selected Finalist(s) and if staff in its discretion concludes negotiations are unsuccessful, that staff begin negotiations with the next highest ranking Finalist.

In accordance with the Technical and Fee Proposal scores assigned by the Health Benefits Evaluation Team, the firms to be interviewed by the Health Benefits Committee (HBC) are: AON Consulting, Buck Consultants LLC, Pricewaterhouse Coopers LLP, and Watson Wyatt Worldwide (the Finalists). Attachment 1 provides a general description of each of the Finalists and their services. Per the Request for Proposal (RFP), one or more of the Finalists may be selected through the HBC interview process to contract with the Board.

### **IV. BACKGROUND:**

At the June 19, 2007 HBC meeting, staff were directed to move forward with a RFP to secure a Health Consultant for the Board. In September, the RFP was issued and an interim Board Consultant was selected until the RFP process could be completed. The Health Benefits Branch received four qualifying responses to the RFP. Technical Proposals meeting the minimum qualifications

were scored through consensus by an Evaluation Team comprised of CalPERS Health Benefits staff. Proposals continuing in the evaluation process had Fee Proposals opened and scored, and such scores were combined with Technical Proposal scores to determine which proposals would be Finalists eligible to appear for an oral interview with the HBC. The Evaluation Team elected to not conduct interviews, as permitted by the RFP.

**V. DISCUSSION:**

Upon completion of the interview process, the HBC will rank and score each Finalist. The highest ranked Finalist will receive 600 points and the remaining Finalists will receive interview points proportionate to their ranking. The incremental difference between Finalists is determined by dividing the number of points by the total number of Finalists participating in an oral interview with the HBC. For example, with four Finalists, the first-ranked Finalist will receive 600 points, the second-ranked Finalist will receive 450 points, the third-ranked will receive Finalist 300 points, and the fourth-ranked Finalist will receive 150 points ( $600/4=150$ ;  $600-150=450$ ). To arrive at a grand total, the HBC score will be combined with staff's scores for the Technical and Fee Proposals.

The HBC will select and recommend the Finalist(s) for approval by the Board. If the Board elects to retain more than one consultant, contracts will be awarded to the highest ranking Finalists in the order of their ranking. The Board may, at its sole discretion, designate one consultant as its primary consultant and other(s) as its back-up or secondary consultant(s). If more than one contract is awarded, it is possible not all of the consultants selected will be asked to provide services to the Board during the term of the contract.

**VI. STAFF RECOMMENDATION:**

Staff recommends the Health Benefits Committee: (1) Interview Finalists as ranked by the Health Benefits Evaluation Team (2) Rank and score each Finalist; and (3) Recommend to the Board of Administration (Board) the selection of a Board Health Consultant firm(s), and (4) Recommend that the Board direct staff to begin negotiations with the selected Finalist(s) and if staff in its discretion concludes negotiations are unsuccessful, that staff begin negotiations with the next highest ranking Finalist.

**VII. STRATEGIC GOAL:**

This item supports Goal X of the strategic plan which states, "Develop and administer quality, sustainable health benefits programs that are responsive to, and valued by, enrollees and employers."

**VIII. RESULTS/COSTS:**

The CalPERS costs associated with this item are included in the annual budget of the Health Benefits Branch, Division of Operations and Infrastructure Support.

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Office of Health Plan Administration

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Attachment